DEPARTMENT OF HEALTH & HUMAN SERVICES
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Office of Media Affairs

CMS FACT SHEET

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Pioneer Accountable Care Organization Model

Overview:

On May 17, 2011 the Centers for Medicare & Medicaid Services released a Request for Applications (RFA) for the Pioneer Accountable Care Organization Model (Pioneer ACO Model). The Pioneer ACO Model is designed to test the movement of organizations experienced in providing coordinated care across settings more rapidly to population-based payment arrangements and to work in coordination with private payers to achieve cost savings and improved health outcomes for Medicare beneficiaries.

The Pioneer ACO Model was developed by the Center for Medicare and Medicaid Innovation (Innovation Center) in partnership with the Center for Medicare to ensure coordination with the Medicare Shared Savings Program (Shared Savings Program). The Pioneer ACO Model and the Shared Savings Program are two distinct, but complementary programs, and applicant organizations will be able to apply to, but not participate in, both programs. The Pioneer ACO Model aligns with program elements in the Shared Savings Program, for which proposed rules were announced on March 29, with release of a final rule, after reviewing public comments, planned for later this year.

This fact sheet provides a general description of the Pioneer ACO Model and the application process for participating.

Background:

The Innovation Center was created by the Affordable Care Act to test new models of health care delivery and payment, offer technical support to providers to improve the coordination of care; and diffuse lessons learned and best practices widely throughout the health care system. It is committed to transforming the Medicare, Medicaid and CHIP programs to deliver better care for individuals, better health for populations, and slower growth in expenditures through improvement for Medicare beneficiaries.

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ACOs are one method of achieving better care for Medicare beneficiaries while slowing the rate of growth in expenditures. An ACO is a recognized legal entity under State law comprised of a group of ACO participants (providers of services and suppliers) that have established a mechanism for shared governance and work together to coordinate care for Medicare fee-for-service beneficiaries. Under both the Medicare Shared Savings Program and the Pioneer ACO Model, ACOs that are selected to participate will enter into an agreement with CMS to be accountable for the quality, cost, and overall care of traditional fee-for-service Medicare beneficiaries who may be assigned to it.

General Approach of the Pioneer ACO Model:

The Pioneer ACO Model seeks to support experienced organizations in the transformation of their business and care delivery model from one relying on fee-for-service volume to one that is focused on optimizing care. Applicants are expected to have extensive experience with systematic care improvement efforts, and either already have entered or are prepared to enter payment arrangements with other payers that include financial accountability and performance incentives.

The payment models being tested in the first two years of the Pioneer ACO Model are a shared savings and shared losses payment arrangement with higher levels of savings and risk than in the Medicare Shared Savings Program. In year three of the program, those Pioneer ACOs that have shown savings over the first two years will be eligible to move to a population-based model. These payment arrangements will also be flexible to accommodate the specific organizational and market contexts in which ACOs work.

The Pioneer ACO Model is currently designed to prospectively identify beneficiaries who are aligned to the ACO, allowing care providers to know at the beginning of a performance period for which patients' cost and quality they will be held accountable. Pioneer ACOs will also have the option of pursuing a retrospective assignment of beneficiaries in lieu of a prospective assignment, the terms of which would be developed through negotiations with CMS. Applicant ACOs must also serve at least 15,000 beneficiaries (5,000 in rural areas). The Pioneer ACO Model is available for up to 30 qualified organizations.

The Pioneer ACO Model will also support the work of participants through technical support including historical, monthly, and quarterly data reports to support care improvement.

Beneficiary Protections and Quality Measures

The Pioneer ACO Model will respect the freedom of Medicare beneficiaries to seek the services and providers of their choice, and also include strong beneficiary protections and comprehensive program monitoring. The ACO model is intended to encourage providers of services and suppliers to

coordinate patient care and improve communications with each other to get each Medicare beneficiary the right care at the right time, and see that the care is provided correctly the first time.

These protections and quality measures are detailed in a supplemental fact sheet available at: http://www.cms.gov/apps/media/fact_sheets.asp.

Payment Arrangement:

The Innovation Center will develop a target per capita expenditure level (benchmark) based on previous CMS expenditures for the group of patients aligned to the Pioneer ACO. This benchmark will be adjusted based on a combination of the average growth percentage for a reference population, and absolute dollar growth for that reference population. At the end of each performance period, participating ACOs would be judged against this benchmark, and rewarded with a portion of the savings or held accountable for increased expenditures. The actual expenditures would have to be outside of a threshold of at least 1 percent to trigger payments or obligations.

In addition to the Core Payment Arrangement laid out in the RFA, applicants are encouraged to propose alternative arrangements that include increasing levels of financial accountability, that transition to population-based payment, and that CMS determines will generate Medicare savings. The Innovation Center will synthesize the suggestions and distill the most promising of them to offer a second, alternative payment arrangements from which all Pioneer ACOs may choose (as will be reflected in the final Participation Agreement).

Eligibility Criteria:

Eligible Providers- Applicants must be providers or suppliers of services structured as: 1) ACO professionals in group practice arrangements; 2) Networks of individual practices of ACO professionals; 3) Partnerships or joint venture arrangements between hospitals and ACO professionals; 4) Hospitals employing ACO professionals; or 5) Federally Qualified Health Centers (FQHC).

Health Information Technology – By the end of 2012, Pioneer ACOs must attest and CMS will confirm that at least 50% of the ACO's primary care providers have met requirements for meaningful use of certified electronic health records (EHR) for receipt of payments through the Medicare and Medicaid EHR Incentive Programs. The Innovation Center recognizes that meeting this requirement is not sufficient for performing at the level expected of Pioneer ACOs, and will give preference in selection to those organizations with advanced EHR capabilities.

Patient Centeredness Capabilities – Applicants are expected to communicate the steps they will employ to ensure that the care they deliver takes into account the needs and preferences of individual patients as detailed in the application.

Minimum Number of Aligned Medicare Beneficiaries – Applicants must have a minimum of 15,000 aligned beneficiaries unless located in a rural area, in which case a minimum of 5,000 beneficiaries is required.

Participation of Other Payers – The Innovation Center believes that Pioneer ACOs will be more effective in producing improvements in three part aim of better care for individuals, better health for populations, and slower growth in expenditures if they fully commit to a business model based on financial and performance accountability. The Innovation Center therefore expects Pioneer ACOs to enter similar contracts with other payers (such as insurers, employer health plans, and Medicaid) such that more than 50 percent of the ACO's revenues will be derived from such arrangements. To be eligible, applicants must include letters of commitment from their other purchasers that the applicant is already in such a contract or that both parties intend to enter such a contract by the end of the second performance period.

Selection Process

Upon receipt of the applications, CMS will first screen them to determine completeness and eligibility, including whether the organization submitted the required letter of intent and meets the minimum requirement for the number of aligned Medicare beneficiaries. Applicants receiving a notice that their application is incomplete will have one week in from the receipt of the notice in which to submit the needed information.

Each complete and eligible application will be reviewed by a panel of 7 to 10 experts from the Department of Health and Human Services as well as from external organizations, with expertise in the areas of provider payment policy, care improvement and coordination, primary care, and care of vulnerable populations. Reviewed applications will be scored based on the criteria outlined in the RFA. CMS will invite semi-finalists to send their leadership team to Baltimore for interviews. Based on the combination of application reviews and interviews, CMS will make the final selections of Pioneer ACOs.

Pioneer ACO Model vs. Medicare Shared Savings Program

The Pioneer ACO Model is distinct from the Medicare Shared Savings Program introduced by CMS via Notice of Proposed Rulemaking issued on March 31, 2011 and subsequently published

in the April 7, 2011, issue of the *Federal Register*. The Shared Savings Program fulfills a statutory obligation set forth by the Affordable Care Act to establish a program that develops a pathway forward for groups of health care providers to become ACO's. CMS is accepting public comments on the Shared Savings Program proposed rule until June 6, 2011, and after reviewing the comments, plans to issue the final rule later this year.

Using the authority granted to it by the Affordable Care Act, the Innovation Center is now launching the Pioneer ACO Model to test alternative payment models to inform future changes to the Shared Savings Program.

Letter of Intent and Application Deadlines

Organizations interested in applying to the Pioneer ACO Model must submit a letter of intent on or before June 10, 2011. ***Applications received from organizations that have not submitted a letter of intent will not be considered***. Applications must be received on or before July 18, 2011. CMS reserves the right to request additional information from applicants in order to assess their applications. The Pioneer ACO Request for Application, the Letter of Intent form and the Application form may be accessed at http://innovations.cms.gov/areas-of-focus/seamless-and-coordinated-care-models/pioneer-aco. The Innovation Center will hold an Open Door Forum to review the Pioneer ACO Model Request for Application on June 7, 2011.

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